
INVESTOR AWARENESS BULLETIN

WHAT EVERY INVESTOR NEEDS TO KNOW

ABOUT BOILER ROOMS



Securities Division
Arizona Corporation Commission
1300 W. Washington Street, 3rd Floor
Phoenix, AZ 85007
602-542-4242
1-866-VERIFY-9
www.azinvestor.gov

THE “BOILER ROOM” – WHERE TELEMARKETING INVESTMENT SCAMS ARE ALWAYS ON CALL



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The nerve center in most of these telemarketing schemes is the sales office, otherwise known as the “boiler room.” The term “boiler room” originated during an earlier era of telemarketing fraud, where managers of

these operations would seek out cheap office space, such as in the basement of buildings, where the conditions were typically hot, uncomfortable, and crowded.

Today, the term boiler room is commonly understood to describe a commercial office setting involving a simple set-up of desks, computers, telephone lines, and salesmen employing a variety of high-pressure sales tactics to push their investment product to hundreds of potential investors across the country each day.

These offices can be established anywhere, but are often found in remote urban areas such as commercial parks, industrial parks, or other discrete locations. Beyond the low overhead and stealthy nature of these boiler rooms, the sparse set-up allows the operations to dissolve and resurface almost at will.

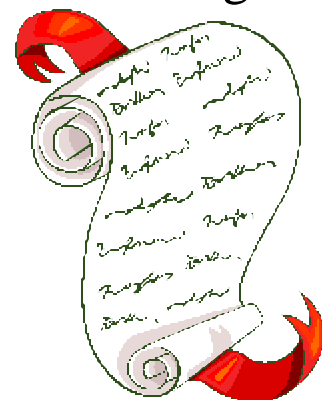
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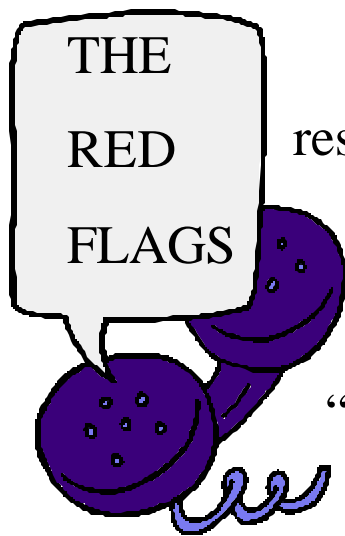
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be sold to boiler room operators for as much as \$3 to \$5 per name. With the lead lists in hand, experienced salesmen then make “cold-calls,” otherwise known as unsolicited calls, up to more than 200 potential investors per day.

The boiler room salesmen use any number of techniques to sell their fraudulent securities to unwary investors, their favorite quarry. A popular method is the “three-call” technique, where an initial caller will warm up the potential investor with descriptions of the company’s past successes and the exciting offerings coming ahead. If the salesman detects a level of interest, brochure materials are sent to the prospect and a second “set-up” man calls to tell the prospect of the amazing opportunity currently available. The pressure is then turned up by the experienced “closer,” who calls the prospect to say that the prospect must invest in the program now, using sales tactics and quick answers to any concerns the unwary prospect might have. Once the investment is made, usually through wire



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Boiler room salesmen are glib and resourceful, and have a number of other techniques to help you part with your money. If the particular investment is "guaranteed," or if the salesman will buy back the investment "after a certain time period," a red flag should immediately go up.

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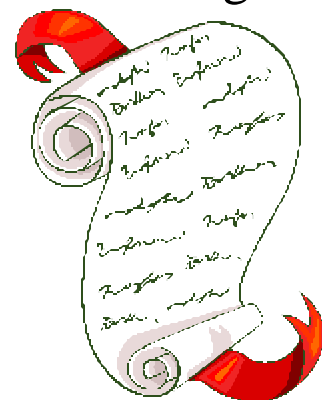
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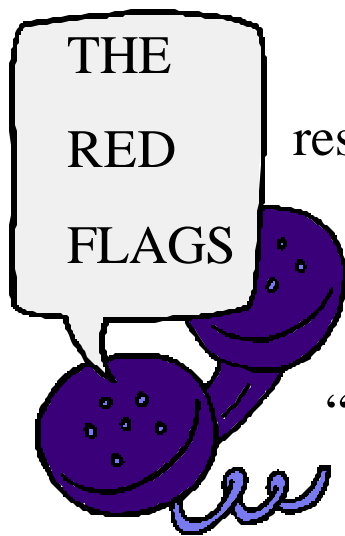
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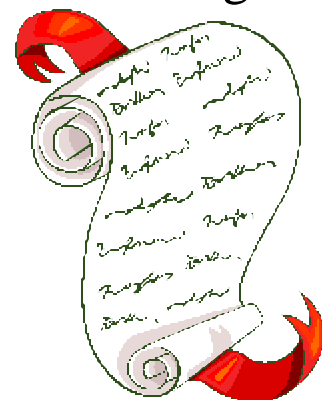
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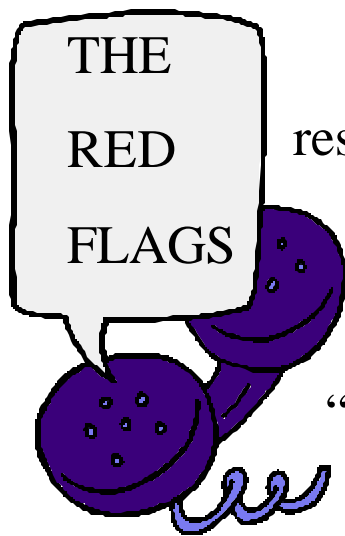
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